

CITY OF PHILLIPSBURG

Phillipsburg, Kansas

FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2015

MAPES & MILLER
Certified Public Accountants
Phillipsburg, Kansas 67661

CITY OF PHILLIPSBURG

For the Year Ended December 31, 2015

Patrick E. Hewitt, Mayor

City Council

Pete Rogers
Rod Innes
Travis Stites

Lynette Voorhees
Donna Speake
Mike James

City Offices

Brenda Chance
Jordyn Boeve

City Clerk
City Treasurer

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

For the Year Ended December 31, 2015

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CITY OF PHILLIPSBURG
Phillipsburg, Kansas

For the Year Ended December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Phillipsburg, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Phillipsburg, Kansas, a Municipal Financial Reporting Entity as of and for the year ended December 31, 2015 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Phillipsburg, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Phillipsburg, Kansas as of December 31, 2015, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Phillipsburg, Kansas, as of December 31, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2015 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and disbursements – agency funds, and schedule of regulatory basis receipts and expenditures-actual-related municipal entity (Schedules 1, 2, 3, and 4 as listed in the table of contents) are presented for analysis and are not a required part of the 2015 basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The Water and Sewer Utility Allocation and Equipment Reserve Allocation (Schedules 5 and 6 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement nor required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards (Schedule 7 as listed in the table of contents) is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 basic financial statement.

Mayor and City Council
City of Phillipsburg, Kansas
July 18, 2016
Page 3

The 2015 information has been subjected to the auditing procedures applied in the audit of the 2015 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2015 basic financial statement or to the 2015 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 information is fairly stated in all material respects in relation to the 2015 basic financial statement as a whole, on the basis of accounting described in Note 1. The information identified in the table of contents, as unaudited additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we express no opinion on the unaudited information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2016, on our consideration of the City of Phillipsburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Phillipsburg's internal control over financial reporting and compliance.

Respectfully submitted,

Mapes & Miller LLP

Certified Public Accountants

July 18, 2016
Phillipsburg, Kansas

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 1
Page 1 of 2

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
REGULATORY BASIS
For the Year Ended December 31, 2015

FUNDS	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund							
General Operating Fund	\$ 329,046	\$ -	\$ 1,171,651	\$ 1,027,419	\$ 473,278	\$ 67,702	\$ 540,980
Special Purpose Funds							
Equipment Reserve Fund	716,121	-	301,252	1,186	1,016,187	-	1,016,187
Library Fund	195	-	64,194	62,982	1,407	-	1,407
Employee Benefit Fund	382	-	572,107	516,131	56,358	30	56,388
Special Parks & Recreation Fund	31,353	-	4,634	3,000	32,987	-	32,987
Special Highway Fund	275,314	-	246,999	223,422	298,891	150	299,041
Fire Equipment Capital Outlay Fund	142,153	-	25,674	300	167,527	-	167,527
Industrial Development Fund	28,684	-	12,836	150	41,370	-	41,370
Bond & Interest Fund							
Bond & Interest Fund	377,303	-	364,282	267,735	473,850	-	473,850
Redemption Fund	-	-	1,635,000	1,635,000	-	-	-
Capital Projects Fund							
Airport Grant Fund	(1,940,750)	-	1,742,516	-	(198,234) *	198,234	-
Business Funds							
Water & Sewer Utility Fund	871,095	11,125	1,346,679	1,450,357	778,542	24,020	802,562
Meter Deposits Fund	-	-	7,910	7,910	-	21,320	21,320
Solid Waste Fund	154,915	-	363,659	433,022	85,552	8,302	93,854
Partially Self-Funded Health Insurance Fund	158,332	-	462,162	491,924	128,570	-	128,570
Aquatic Center Fund	153,386	-	502,674	527,789	128,271	2,499	130,770
Trust Fund							
Endowment Fund	9,982	-	18	-	10,000	-	10,000
Related Municipal Entity							
Public Building Commission							
Aquatic Center Bond & Interest Fund	75,617	-	224,745	224,365	75,997	-	75,997
Aquatic Center Capital Project Fund	128,555	-	10,000	-	138,555	-	138,555
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 1,511,683</u>	<u>\$ 11,125</u>	<u>\$ 9,058,992</u>	<u>\$ 6,872,692</u>	<u>\$ 3,709,108</u>	<u>\$ 322,257</u>	<u>\$ 4,031,365</u>

* See Note 3 (Cash Basis Exception)

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 1
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SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
REGULATORY BASIS

For the Year Ended December 31, 2015

Composition of Cash	
Cash on Hand	\$ 450
Checking Accounts	8,797
NOW Account	418,247
Money Market Account	713,894
Certificates of Deposit	2,681,000
Related Municipal Entity	<u>214,552</u>
Total Cash	4,036,940
Agency Funds Per Schedule 3	<u>(5,575)</u>
Total Reporting Entity (Excluding Agency Funds)	<u><u>\$ 4,031,365</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

NOTES TO THE FINANCIAL STATEMENT
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Entity

The City of Phillipsburg, Kansas, is a municipal corporation governed by an elected mayor and an elected six member council. The regulatory financial statement presents the City of Phillipsburg, and one of its related municipal entities. The following related municipal entity is included in the City's reporting entity because it was established to benefit the City and/or its constituents:

Public Building Commission. The City of Phillipsburg Public Building Commission Board operates the Public Building Commission for the purpose of providing additional and alternative methods for financing certain public buildings. The City levies taxes for the Public Building Commission. Bond issuances must be approved by the City. Complete financial records for the Public Building Commission may be reviewed at the City office.

(b) Regulatory Basis Fund Types

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities for the City for the year ended December 31, 2015.

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debts) that are intended for specified purposes.

Bond and Interest Fund - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Fund - used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Fund - funds financed in whole or in part by fees charged to users of the goods or services. (i.e. enterprise funds and internal service funds etc.).

Trust Fund - funds used to report assets held in trust for the benefit of the municipal financial reporting entity. (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency Fund - funds used to report assets held by the municipal reporting entity in a purely custodial capacity. (i.e. payroll clearing fund, county treasurer tax collection accounts, etc.).

(c) Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

(d) Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Purpose Funds (unless specifically exempted by statute), Bond and Interest Funds, and Business Funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2015.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for Capital Projects Funds, Trust Funds, Agency Funds, and the following:

Special Purpose Funds:
Equipment Reserve Fund
Redemption Fund
Business Funds:
Meter Deposits Fund
Partially Self-Funded Health Insurance Fund

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. The City was in violation of K.S.A. 10-1113 which requires that no indebtedness be created for a fund in excess of available monies in that fund. The City showed a negative cash balance in the Employee Benefit Trust Fund on September 30, 2015. The expenditures should be limited to the amount of money in each fund.

B. The City is not aware of any other noncompliance with Kansas statutes.

3. CASH BASIS EXCEPTION

The City received a Federal Aviation Administration (FAA) Grant. The grant document requires the City to expend the monies before they can request reimbursement, which caused the City negative unencumbered cash in the Airport Grant Fund at December 31, 2015. K.S.A. 12-1664 provides an exception for a cash basis law violation for intergovernmental grant funds to expend monies for grant purposes with the expectation of monies to be reimbursed to the City under conditions of the grant award.

4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located or in an adjoining county, if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2015.

At December 31, 2015, the City's carrying amount of deposits was \$4,036,490 and the bank balance was \$4,058,655. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance \$673,034 was covered by federal depository insurance, and \$3,385,621 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

5. INTERFUND TRANSFERS

A. Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Operating Fund	Equipment Reserve Fund	K.S.A. 12-1,117	\$ 35,000
General Operating Fund	Special Highway Fund	K.S.A. 12-1,119	160,000
Employee Benefit Fund	Partially Self-Funded Health Insurance Fund	K.S.A. 12-2615	312,887
Special Highway Fund	Equipment Reserve Fund	K.S.A. 12-1,117	13,000
Water & Sewer Utility Fund	Equipment Reserve Fund	K.S.A. 12-825d	190,000
Water & Sewer Utility Fund	Bond & Interest Fund	K.S.A. 12-825d	92,464
Solid Waste Fund	Equipment Reserve Fund	K.S.A. 12-825d	13,252
Aquatic Center Fund	Equipment Reserve Fund	K.S.A. 12-1,117	50,000

B. Equity transfers were as follows:

From	To	Amount
General Operating Fund	Bond & Interest Fund	\$ 15,887

6. DEFINED BENEFIT PENSION PLAN

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009. KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law establishes the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate was 10.33% for January 1, 2015 – June 30, 2015 (including the 0.85% contribution rate for Death and Disability Insurance) and 10.48% for July 1, 2015 to December 31, 2015 (including the 1.00% for Death and Disability Insurance). Contributions to the pension plan from the City were \$88,367 for the year ended December 31, 2015.

Net Pension Liability – At December 31, 2015, the City's proportionate share of the collective net pension liability reported by KPERS was \$659,632. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

(a) Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

(b) Other Employee Benefits

Vacation

All employees of the City, except temporary and part-time employees, accumulate vacation leave at a rate of ten days per year after their first year of employment. The rate of accumulation increases to fifteen days per year after seven years of employment, and twenty days per year after eighteen years of employment. An employee can only carry over to the next year, one-half of their annual amount of vacation leave. Employees are paid for all accumulated vacation leave, at their current wage rate, upon termination of employment. As of December 31, 2015, the City owed \$40,059 of accumulated vacation leave to employees.

Sick leave

All employees of the City, except temporary and part-time employees, accumulate sick leave at a rate of twelve days per year. They may accumulate unlimited sick leave days. Upon termination of employment, no sick leave is paid to the employee.

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City has purchased commercial insurance for these potential risks.

During the year ended December 31, 2015, the City did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

The City of Phillipsburg, Kansas pays an annual premium to Corporate Plan Management for its health insurance coverage. The agreement to participate provides that the Corporate Plan Management will be partially self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$25,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by Corporate Plan Management. The City's contract with Corporate Plan Management ended as of January 1, 2016 and the City contracted with Blue Cross Blue Shield of Kansas to purchase a fully-insured health plan for its employees.

9. CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project Authorization	Expenditures to Date
Airport Grant	\$2,160,000	\$2,156,389

10. OPERATING LEASE

The City entered into a lease agreement, dated September 1, 2011 with the Public Building Commission, a related municipal entity of the City, to lease the swimming pool recreational facility. The agreement states that the City will, during the term of the lease, keep and maintain the swimming pool facility and all parts in good condition and repair. The lease agreement provides for semi-annual lease payments. The City has imposed a 1% city-wide retailer's sales tax to cover these payments.

Future minimum rental commitments are as follows:

Year	Amount
2016	\$ 221,865
2017	224,365
2018	226,115
2019	222,403
2020	223,352
2021-2025	1,113,437
2026-2030	1,116,800
2031	149,027
Total Future Minimum Lease Payments	<u>\$ 3,497,364</u>

11. SUBSEQUENT EVENTS

Management has evaluated events subsequent to year end through the date of this report, and does not believe any events through the date of this report have occurred, which effect the financial statement as presented.

12. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2015, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Beginning Balance 1/1/2015	Additions	Reductions/ Payments	Ending Balance 12/31/2015	Interest/ Service Fees Paid
General Obligation Bond									
2011 General									
Obligation Bonds	2.0-2.9%	09/01/11	\$ 245,000	9/1/2021	\$ 185,000	\$ -	\$ 25,000	\$ 160,000	\$ 4,537
2015 General									
Obligation Bonds	0.75-2.95%	06/01/15	\$ 1,635,000	8/1/2024	-	1,635,000	-	1,635,000	-
Total General Obligation Bonds					185,000	1,635,000	25,000	1,795,000	4,537
KDHE Loans									
KS Water Pollution									
Control Loan	3.08%	04/11/01	2,855,519	9/1/2022	1,298,658	-	1,298,658	-	29,863
KS Water Supply Loan	3.66%	01/17/05	920,980	2/1/2026	512,162	-	512,162	-	15,601
Total KDHE Loans					1,810,820	-	1,810,820	-	45,464
Public Building Commission									
Revenue Bonds Series 2011	2.0-4.1%	09/01/11	3,070,000	10/1/2031	2,730,000	-	125,000	2,605,000	99,365
Total Contractual Indebtedness					\$ 4,725,820	\$ 1,635,000	\$ 1,960,820	\$ 4,400,000	\$ 149,366

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

Year	General Obligation Bond		Revenue Bond (Public Building Commission)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 230,000	\$ 37,168	\$ 125,000	\$ 96,865	\$ 355,000	\$ 134,033
2017	235,000	29,846	130,000	94,365	365,000	124,211
2018	240,000	26,913	135,000	91,115	375,000	118,028
2019	245,000	23,245	135,000	87,402	380,000	110,647
2020	250,000	18,775	140,000	83,353	390,000	102,128
2021-2025	595,000	24,815	775,000	338,437	1,370,000	363,252
2026-2030	-	-	950,000	166,800	950,000	166,800
2031	-	-	215,000	8,815	215,000	8,815
	<u>\$ 1,795,000</u>	<u>\$ 160,762</u>	<u>\$ 2,605,000</u>	<u>\$ 967,152</u>	<u>\$ 4,400,000</u>	<u>\$ 1,127,914</u>

CITY OF PHILLIPSBURG, KANSAS
REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 1

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2015

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund					
General Operating Fund	\$ 1,880,559	\$ -	\$ 1,880,559	\$ 1,027,419	\$ (853,140)
Special Purpose Funds					
Library Fund	63,004	-	63,004	62,982	(22)
Employee Benefit Fund	611,756	-	611,756	516,131	(95,625)
Special Parks & Recreation Fund	26,073	-	26,073	3,000	(23,073)
Special Highway Fund	1,012,890	-	1,012,890	223,422	(789,468)
Fire Equipment Capital Outlay Fund	165,815	-	165,815	300	(165,515)
Industrial Development Fund	26,440	-	26,440	150	(26,290)
Bond & Interest Funds					
Bond & Interest Fund	732,913	-	732,913	267,735	(465,178)
Business Funds					
Water & Sewer Utility Fund	2,151,690	-	2,151,690	1,450,357	(701,333)
Solid Waste Fund	520,464	-	520,464	433,022	(87,442)
Aquatic Center Fund	756,508	-	756,508	527,789	(228,719)

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

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SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

GENERAL OPERATING FUND

	Actual	Budget	Variance Over (Under)
Receipts			
Ad Valorem Tax	\$ 282,339	\$ 277,260	\$ 5,079
Delinquent Tax	8,822	5,800	3,022
Motor Vehicle Tax	85,171	70,618	14,553
Intangibles Tax	31,828	40,000	(8,172)
Recreational Vehicle Tax	1,687	1,063	624
Excise Tax	187	123	64
16/20M Vehicle Tax	556	720	(164)
Special Assessment	609	-	609
Commercial Vehicle	3,859	-	3,859
Watercraft Tax	381	662	(281)
Local Alcoholic Liquor Tax	4,633	4,428	205
Interest on Idle Funds	10,499	18,000	(7,501)
Franchise Tax	163,872	170,000	(6,128)
Animal Tags	681	2,100	(1,419)
State Grant	9,593	36,000	(26,407)
Fines	51,201	33,000	18,201
Reimbursements	22,301	10,000	12,301
Rural Fire Contracts	12,219	24,000	(11,781)
Campground Fees	1,943	4,200	(2,257)
Local Retailer's Sales Tax	230,821	247,500	(16,679)
Licenses & Permits	6,045	6,800	(755)
Other Cash Receipts	6,792	58,000	(51,208)
Nonfederal Grants & Gifts	141,800	200,000	(58,200)
Building Rents	12,999	16,000	(3,001)
Cemetery Lots & Care	8,400	8,500	(100)
Airport Rents & Grains	6,178	10,000	(3,822)
Airport Aviation Gas & Oil	6,131	25,000	(18,869)
Airport Courtesy Car	45	150	(105)
Airport Sales Tax Collected	1,045	3,000	(1,955)
Airport Reimbursement	7,881	-	7,881
Zoning Applications	450	-	450
Transportation Passes	6,758	7,000	(242)
Northwest Kansas Transit	43,925	36,000	7,925
Total Receipts	<u>1,171,651</u>	<u>\$ 1,315,924</u>	<u>\$ (144,273)</u>
EXPENDITURES			
General Government			
Personal Services	86,159	\$ 76,000	\$ 10,159
Contractual Services	42,262	213,000	(170,738)
Commodities	3,164	10,000	(6,836)
Capital Outlay	-	60,000	(60,000)
Total General Government	<u>131,585</u>	<u>359,000</u>	<u>(227,415)</u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

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SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

GENERAL OPERATING FUND (Cont.)

	Actual	Budget	Variance Over (Under)
EXPENDITURES (Cont.)			
Community Building			
Contractual Serices	\$ 10,027	\$ 18,000	\$ (7,973)
Commodities	2,798	18,000	(15,202)
Capital Outlay	-	2,000	(2,000)
Total Community Building	<u>12,825</u>	<u>38,000</u>	<u>(25,175)</u>
Custodian Department			
Personal Services	36,325	40,000	(3,675)
Contractual Services	1,554	6,235	(4,681)
Commodities	1,265	7,000	(5,735)
Capital Outlay	-	2,336	(2,336)
Total Custodian Department	<u>39,144</u>	<u>55,571</u>	<u>(16,427)</u>
Municipal Court & Police Department			
Personal Services	20,800	30,000	(9,200)
Contractual Services	300,934	300,000	934
Commodities	198	2,000	(1,802)
Capital Outlay	-	2,000	(2,000)
Total Municipal Court & Police Department	<u>321,932</u>	<u>334,000</u>	<u>(12,068)</u>
City Fire Department			
Contractual Services	7,131	15,000	(7,869)
Commodities	10,476	16,000	(5,524)
Capital Outlay	1,010	5,000	(3,990)
Total City Fire Department	<u>18,617</u>	<u>36,000</u>	<u>(17,383)</u>
Rural Fire Department			
Contractual Services	5,670	5,400	270
Commodities	11,594	15,000	(3,406)
Capital Outlay	1,010	20,000	(18,990)
Total Rural Fire Department	<u>18,274</u>	<u>40,400</u>	<u>(22,126)</u>
Park Department			
Personal Services	18,564	25,000	(6,436)
Contractual Services	7,910	25,000	(17,090)
Commodities	7,968	15,000	(7,032)
Capital Outlay	265	10,000	(9,735)
Total Park Department	<u>34,707</u>	<u>75,000</u>	<u>(40,293)</u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

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SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

GENERAL OPERATING FUND (Cont.)

	Actual	Budget	Variance Over (Under)
EXPENDITURES (Cont.)			
Recreation Department			
Contractual Services	\$ 5,210	\$ 8,000	\$ (2,790)
Commodities	-	1,000	(1,000)
Capital Outlay	-	2,000	(2,000)
Total Recreation Department	5,210	11,000	(5,790)
Cemetery			
Personal Services	18,246	25,000	(6,754)
Contractual Services	7,781	25,000	(17,219)
Commodities	4,670	8,000	(3,330)
Capital Outlay	-	2,000	(2,000)
Total Cemetery	30,697	60,000	(29,303)
Street Lighting			
Contractual Services	52,730	60,000	(7,270)
Airport			
Personal Services	4,191	10,000	(5,809)
Contractual Services	18,355	89,000	(70,645)
Commodities	22,069	40,000	(17,931)
Capital Outlay	-	230,000	(230,000)
Total Airport	44,615	369,000	(324,385)
Planning Department			
Contractual Services	2,508	5,000	(2,492)
Transportation Department			
Personal Services	29,655	34,000	(4,345)
Contractual Services	8,585	9,000	(415)
Commodities	4,486	15,000	(10,514)
Capital Outlay	7,053	10,000	(2,947)
Total Transportation Department	49,779	68,000	(18,221)
Library Support			
Contractual Services	25,655	38,000	(12,345)
Capital Outlay	-	12,500	(12,500)
Total Library Support	25,655	50,500	(24,845)

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

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SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

GENERAL OPERATING FUND (Cont.)

	Actual	Budget	Variance Over (Under)
EXPENDITURES (Cont.)			
Beautification			
Contractual Services	\$ 643	\$ 5,000	\$ (4,357)
Commodities	702	7,000	(6,298)
Capital Outlay	-	3,000	(3,000)
Total Beautification	1,345	15,000	(13,655)
Shade Tree			
Contractual Services	2,170	5,000	(2,830)
Armory			
Contractual Services	9,657	17,000	(7,343)
Commodities	6,294	10,000	(3,706)
Capital Outlay	-	30,000	(30,000)
Total Armory	15,951	57,000	(41,049)
ADA Concrete			
Commodities	4,437	40,000	(35,563)
Neighborhood Revitalization Rebate	4,351	7,088	(2,737)
Outgoing Transfers			
Equipment Reserve Fund	35,000	35,000	-
Special Highway Fund	160,000	160,000	-
Bond & Interest Fund	15,887	-	15,887
Total Outgoing Transfers	210,887	195,000	15,887
Total Expenditures	1,027,419	\$ 1,880,559	\$ (853,140)
Receipts Over (Under) Expenditures	144,232		
UNENCUMBERED CASH, January 1, 2015	329,046		
UNENCUMBERED CASH, December 31, 2015	\$ 473,278		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-2

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2015

EQUIPMENT RESERVE FUND

	<u>Actual</u>
RECEIPTS	
Incoming Transfers	
General Operating Fund	\$ 35,000
Special Highway Fund	13,000
Water & Sewer Utility Fund	190,000
Solid Waste Fund	13,252
Aquatic Center Fund	<u>50,000</u>
Total Receipts	<u>301,252</u>
EXPENDITURES	
Capital Outlay	<u>1,186</u>
Receipts Over (Under) Expenditures	300,066
UNENCUMBERED CASH, January 1, 2015	<u>716,121</u>
UNENCUMBERED CASH, December 31, 2015	<u><u>\$ 1,016,187</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-3

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

LIBRARY FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 48,677	\$ 47,792	\$ 885
Delinquent Tax	1,355	1,052	303
Motor Vehicle Tax	13,125	11,128	1,997
Recreational Vehicle Tax	262	168	94
Excise Tax	29	19	10
16/20M Vehicle Tax	79	113	(34)
Watercraft Tax	60	-	60
Commercial Vehicle	607	-	607
	<u>64,194</u>	<u>\$ 60,272</u>	<u>\$ 3,922</u>
Total Receipts			
EXPENDITURES			
Library Insurance	2,487	\$ 1,404	\$ 1,083
Appropriation to Library Board	59,745	60,483	(738)
Neighborhood Revitalization Rebate	750	1,117	(367)
	<u>62,982</u>	<u>\$ 63,004</u>	<u>\$ (22)</u>
Total Expenditures			
Receipts Over (Under) Expenditures	1,212		
UNENCUMBERED CASH, January 1, 2015	<u>195</u>		
UNENCUMBERED CASH, December 31, 2015	<u>\$ 1,407</u>		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-4

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

EMPLOYEE BENEFIT FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 164,643	\$ 165,424	\$ (781)
Delinquent Tax	2,713	1,500	1,213
Motor Vehicle Tax	29,479	27,456	2,023
Recreational Vehicle Tax	609	413	196
Excise Tax	61	48	13
16/20M Vehicle Tax	110	280	(170)
Watercraft Tax	148	-	148
Commercial Vehicle	1,488	-	1,488
Employee/Employer Contributions	372,856	410,000	(37,144)
Other Reimbursements	-	2,000	(2,000)
	<u>572,107</u>	<u>\$ 607,121</u>	<u>\$ (35,014)</u>
Total Receipts			
EXPENDITURES			
Social Security & Medicare	68,667	\$ 90,000	\$ (21,333)
Retirement	88,367	95,000	(6,633)
Workman's Compensation	42,738	49,000	(6,262)
Unemployment Insurance	935	5,000	(4,065)
Neighborhood Revitalization Rebate	2,537	2,756	(219)
Outgoing Transfer			
Partially Self-Funded Health Insurance Fund	312,887	370,000	(57,113)
	<u>516,131</u>	<u>\$ 611,756</u>	<u>\$ (95,625)</u>
Total Expenditures			
Receipts Over (Under) Expenditures	55,976		
UNENCUMBERED CASH, January 1, 2015	<u>382</u>		
UNENCUMBERED CASH, December 31, 2015	<u>\$ 56,358</u>		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-5

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

SPECIAL PARKS & RECREATION FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Local Alcoholic Liquor Tax	\$ 4,634	\$ 4,428	\$ 206
Nonfederal Grants & Gifts	<u>-</u>	<u>1,000</u>	<u>(1,000)</u>
Total Receipts	<u>4,634</u>	<u><u>\$ 5,428</u></u>	<u><u>\$ (794)</u></u>
EXPENDITURES			
Contractual Services	3,000	\$ 15,000	\$ (12,000)
Commodities	-	2,000	(2,000)
Capital Outlay	<u>-</u>	<u>9,073</u>	<u>(9,073)</u>
Total Expenditures	<u>3,000</u>	<u><u>\$ 26,073</u></u>	<u><u>\$ (23,073)</u></u>
Receipts Over (Under) Expenditures	1,634		
UNENCUMBERED CASH, January 1, 2015	<u>31,353</u>		
UNENCUMBERED CASH, December 31, 2015	<u><u>\$ 32,987</u></u>		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-6

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

SPECIAL HIGHWAY FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Highway Connecting Links	\$ 14,874	\$ 21,000	\$ (6,126)
Special Highway Tax	66,952	64,810	2,142
Sale of Equipment	4,609	-	4,609
Sales Tax Collected	414	-	414
Other Cash Receipts	150	2,000	(1,850)
Federal Grants	-	533,333	(533,333)
Incoming Transfer			
General Operating Fund	160,000	160,000	-
	<u>246,999</u>	<u>\$ 781,143</u>	<u>\$ (534,144)</u>
Total Receipts			
EXPENDITURES			
Personal Services	72,323	\$ 115,000	\$ (42,677)
Contractual Services	13,161	80,000	(66,839)
Commodities	112,793	185,000	(72,207)
Capital Outlay	12,145	619,890	(607,745)
Outgoing Transfer			
Equipment Reserve Fund	13,000	13,000	-
	<u>223,422</u>	<u>\$ 1,012,890</u>	<u>\$ (789,468)</u>
Total Expenditures			
Receipts Over (Under) Expenditures	23,577		
UNENCUMBERED CASH, January 1, 2015	<u>275,314</u>		
UNENCUMBERED CASH, December 31, 2015	<u>\$ 298,891</u>		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-7

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

FIRE EQUIPMENT CAPITAL OUTLAY FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 19,467	\$ 19,156	\$ 311
Delinquent Tax	542	500	42
Motor Vehicle Tax	5,250	4,451	799
Recreational Vehicle Tax	105	67	38
Excise Tax	11	7	4
16/20M Vehicle Tax	32	45	(13)
Watercraft Tax	24	-	24
Commercial Vehicle	243	-	243
Nonfederal Grants & Gifts	-	5,000	(5,000)
	<u>25,674</u>	<u>\$ 29,226</u>	<u>\$ (3,552)</u>
Total Receipts			
EXPENDITURES			
Capital Outlay	-	\$ 165,368	\$ (165,368)
Neighborhood Revitalization Rebate	300	447	(147)
	<u>300</u>	<u>\$ 165,815</u>	<u>\$ (165,515)</u>
Total Expenditures			
Receipts Over (Under) Expenditures	25,374		
UNENCUMBERED CASH, January 1, 2015	<u>142,153</u>		
UNENCUMBERED CASH, December 31, 2015	<u>\$ 167,527</u>		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-8

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

INDUSTRIAL DEVELOPMENT FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 9,734	\$ 9,578	\$ 156
Delinquent Tax	271	500	(229)
Motor Vehicle Tax	2,624	2,226	398
Recreational Vehicle Tax	52	34	18
Excise Tax	6	4	2
16/20M Vehicle Tax	16	23	(7)
Commercial Vehicle	121	-	121
Watercraft Tax	12	-	12
Total Receipts	<u>12,836</u>	<u>\$ 12,365</u>	<u>\$ 471</u>
EXPENDITURES			
Contractual Services	-	\$ 26,217	\$ (26,217)
Neighborhood Revitalization Rebate	150	223	(73)
Total Expenditures	<u>150</u>	<u>\$ 26,440</u>	<u>\$ (26,290)</u>
Receipts Over (Under) Expenditures	12,686		
UNENCUMBERED CASH, January 1, 2015	<u>28,684</u>		
UNENCUMBERED CASH, December 31, 2015	<u>\$ 41,370</u>		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-9

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2015

REDEMPTION FUND

	<u>Actual</u>
RECEIPTS	
Bond Sale	<u>\$ 1,635,000</u>
EXPENDITURES	
Publications & Printing	342
Contract Labor	5,070
Miscellaneous	2,387
Legal Fees	8,815
Sewer Loan Principal	1,144,128
General Operating Bond Interest	1,459
Water Loan Principal	<u>472,799</u>
Total Expenditures	<u>1,635,000</u>
Receipts Over (Under) Expenditures	-
UNENCUMBERED CASH, January 1, 2015	<u>-</u>
UNENCUMBERED CASH, December 31, 2015	<u><u>\$ -</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-10

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

BOND & INTEREST FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 19,467	\$ 19,152	\$ 315
Delinquent Tax	531	2,400	(1,869)
Motor Vehicle Tax	4,722	4,465	257
Recreational Vehicle Tax	98	67	31
Excise Tax	10	8	2
16/20M Vehicle Tax	16	46	(30)
Watercraft Tax	24	-	24
Commercial Vehicle	242	-	242
Local Retailer's Sales Tax	230,821	247,500	(16,679)
Incoming Transfer			
Water & Sewer Utility Fund	92,464	92,464	-
General Operating Fund	15,887	-	15,887
	<u>364,282</u>	<u>\$ 366,102</u>	<u>\$ (1,820)</u>
Total Receipts			
EXPENDITURES			
Commission & Postage	-	\$ 10,000	\$ (10,000)
Reserve for Cash	-	453,571	(453,571)
Sewer Loan Principal	154,530	145,506	9,024
Sewer Loan Interest	27,439	35,730	(8,291)
Sewer Loan Service Fee	2,424	3,156	(732)
Water Loan Principal	39,363	36,551	2,812
Water Loan Interest	14,109	16,653	(2,544)
Water Loan Service Fee	1,492	1,761	(269)
G.O. Bond Principal	25,000	25,000	-
G.O. Bond Interest	3,078	4,537	(1,459)
Neighborhood Revitalization Rebate	300	448	(148)
	<u>267,735</u>	<u>\$ 732,913</u>	<u>\$ (465,178)</u>
Total Expenditures			
Receipts Over (Under) Expenditures	96,547		
UNENCUMBERED CASH, January 1, 2015	<u>377,303</u>		
UNENCUMBERED CASH, December 31, 2015	<u>\$ 473,850</u>		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-11

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

AIRPORT GRANT FUND

	<u>Actual</u>
RECEIPTS	
Federal Grant	<u>\$ 1,742,516</u>
EXPENDITURES	<u>-</u>
Receipts Over (Under) Expenditures	1,742,516
UNENCUMBERED CASH, January 1, 2015	<u>(1,940,750)</u>
UNENCUMBERED CASH, December 31, 2015	<u><u>\$ (198,234) *</u></u>

* See Note 3 (Cash Basis Exception).

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

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SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

WATER & SEWER UTILITY FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Water Department			
Water Sales	\$ 1,026,515	\$ 1,000,000	\$ 26,515
Penalties	15,846	23,000	(7,154)
Sales Tax Collected	19,879	33,000	(13,121)
Other Cash Receipts	68	2,500	(2,432)
Coin Machine Water Sales	1,592	1,700	(108)
Water Protection Fee	5,733	15,000	(9,267)
Sale of Equipment	2,485	1,500	985
Return Check Charge	300	1,000	(700)
New Service	915	3,000	(2,085)
Connects/Disconnects	2,675	4,000	(1,325)
Total Water Department	1,076,008	1,084,700	(8,692)
Sewer Department			
Sewer Charges	255,204	200,000	55,204
Sewer Machine & Building Rental	195	2,000	(1,805)
Other Cash Receipts	-	100	(100)
Connects/Disconnects	12,700	100	12,600
Sewer Dump Station Fee	2,572	3,900	(1,328)
Total Sewer Department	270,671	206,100	64,571
Total Receipts	1,346,679	\$ 1,290,800	\$ 55,879
EXPENDITURES			
Water Department			
Production			
Personal Services	34,546	\$ 70,000	\$ (35,454)
Contractual Services	135,743	250,000	(114,257)
Commodities	33,681	70,000	(36,319)
Capital Outlay	-	77,226	(77,226)
Total Production	203,970	467,226	(263,256)
Transmission & Distribution			
Personal Services	187,601	220,000	(32,399)
Contractual Services	127,695	160,000	(32,305)
Commodities	112,979	284,000	(171,021)
Capital Outlay	15,532	50,000	(34,468)
Total Transmission & Distribution	443,807	714,000	(270,193)

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-12
Page 2 of 2

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

WATER & SEWER UTILITY FUND (Cont.)

	Actual	Budget	Variance Over (Under)
EXPENDITURES (Cont.)			
Water Department			
Water Commercial & General			
Personal Services	\$ 45,712	\$ 100,000	\$ (54,288)
Contractual Services	57,477	90,000	(32,523)
Commodities	849	10,000	(9,151)
Capital Outlay	1,841	50,000	(48,159)
	<u>105,879</u>	<u>250,000</u>	<u>(144,121)</u>
Total Water Commercial & General			
	<u>105,879</u>	<u>250,000</u>	<u>(144,121)</u>
Total Water Department	<u>753,656</u>	<u>1,431,226</u>	<u>(677,570)</u>
Sewer Department			
Sewer Commercial & General			
Personal Services	108,526	70,000	38,526
Contractual Services	170,183	190,000	(19,817)
Commodities	60,042	60,000	42
Capital Outlay	41,606	50,000	(8,394)
	<u>380,357</u>	<u>370,000</u>	<u>10,357</u>
Total Sewer Commercial & General			
	<u>380,357</u>	<u>370,000</u>	<u>10,357</u>
Other Expenditures			
Training	1,466	-	1,466
Sales Tax	21,265	35,000	(13,735)
State Water Fee	5,754	18,000	(12,246)
Kansas Clean Drinking Water Fee	5,395	15,000	(9,605)
Outgoing Transfers			
Equipment Reserve Fund	190,000	190,000	-
Bond & Interest Fund	92,464	92,464	-
	<u>316,344</u>	<u>350,464</u>	<u>(34,120)</u>
Total Other Expenditures			
	<u>316,344</u>	<u>350,464</u>	<u>(34,120)</u>
Total Expenditures	<u>1,450,357</u>	<u>\$ 2,151,690</u>	<u>\$ (701,333)</u>
Receipts Over (Under) Expenditures	(103,678)		
UNENCUMBERED CASH, January 1, 2015	871,095		
Prior Year Cancelled Encumbrances	<u>11,125</u>		
UNENCUMBERED CASH, December 31, 2015	<u>\$ 778,542</u>		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-13

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2015

METER DEPOSITS FUND

	<u>Actual</u>
RECEIPTS	
Meter Deposits	<u>\$ 7,910</u>
EXPENDITURES	
Deposit Refunds	<u>7,910</u>
Receipts Over (Under) Expenditures	-
UNENCUMBERED CASH, January 1, 2015	<u>-</u>
UNENCUMBERED CASH, December 31, 2015	<u><u>\$ -</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-14

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

SOLID WASTE FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Fees Collected	\$ 353,921	\$ 360,000	\$ (6,079)
Sales Tax Collected	176	1,000	(824)
Sale of Dumpsters	1,960	3,600	(1,640)
Equipment Rental	800	950	(150)
Other Cash Receipts	1,210	300	910
Yard Waste Receipts	<u>5,592</u>	<u>7,500</u>	<u>(1,908)</u>
Total Receipts	<u>363,659</u>	<u>\$ 373,350</u>	<u>\$ (9,691)</u>
EXPENDITURES			
Personal Services	159,435	\$ 145,000	\$ 14,435
Contractual Services	240,839	190,000	50,839
Commodities	19,496	42,000	(22,504)
Capital Outlay	-	118,464	(118,464)
Outgoing Transfer			
Equipment Reserve Fund	<u>13,252</u>	<u>25,000</u>	<u>(11,748)</u>
Total Expenditures	<u>433,022</u>	<u>\$ 520,464</u>	<u>\$ (87,442)</u>
Receipts Over (Under) Expenditures	(69,363)		
UNENCUMBERED CASH, January 1, 2015	<u>154,915</u>		
UNENCUMBERED CASH, December 31, 2015	<u>\$ 85,552</u>		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-15

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS

For the Year Ended December 31, 2015

PARTIALLY SELF-FUNDED HEALTH INSURANCE FUND

	<u>Actual</u>
RECEIPTS	
Insurance Reimbursement	\$ 129,527
Employee/Employer Premium Deposit	9,480
Interest on Idle Funds	141
Miscellaneous	29
Cobra Payments	10,098
Incoming Transfer	
Employee Benefit Fund	<u>312,887</u>
Total Receipts	<u>462,162</u>
EXPENDITURES	
Contractual Services	<u>491,924</u>
Receipts Over (Under) Expenditures	(29,762)
UNENCUMBERED CASH, January 1, 2015	<u>158,332</u>
UNENCUMBERED CASH, December 31, 2015	<u><u>\$ 128,570</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-16

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

AQUATIC CENTER FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Local Retailer's Sales Tax	\$ 461,641	\$ 495,000	\$ (33,359)
Swimming Pool Concessions	8,285	12,000	(3,715)
Swimming Lessons	5,045	6,000	(955)
Swimming Pool Tickets	25,775	40,000	(14,225)
Sales Tax Collected	886	1,000	(114)
Non Federal Grants & Gifts	1,000	5,000	(4,000)
Other Cash Receipts	42	-	42
	<u>502,674</u>	<u>\$ 559,000</u>	<u>\$ (56,326)</u>
Total Receipts			
EXPENDITURES			
Personal Services	117,452	\$ 150,000	\$ (32,548)
Contractual Services	100,575	155,000	(54,425)
Commodities	33,865	70,000	(36,135)
Capital Outlay	1,532	49,508	(47,976)
Lease Payments	224,365	282,000	(57,635)
Outgoing Transfer			
Equipment Reserve Fund	50,000	50,000	-
	<u>527,789</u>	<u>\$ 756,508</u>	<u>\$ (228,719)</u>
Total Expenditures			
Receipts Over (Under) Expenditures	(25,115)		
UNENCUMBERED CASH, January 1, 2015	<u>153,386</u>		
UNENCUMBERED CASH, December 31, 2015	<u>\$ 128,271</u>		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-17

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2015

ENDOWMENT FUND

	<u>Actual</u>
RECEIPTS	
Interest on Idle Funds	<u>\$ 18</u>
EXPENDITURES	<u>-</u>
Receipts Over (Under) Expenditures	18
UNENCUMBERED CASH, January 1, 2015	<u>9,982</u>
UNENCUMBERED CASH, December 31, 2015	<u><u>\$ 10,000</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 3

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
REGULATORY BASIS
For the Year Ended December 31, 2015

AGENCY FUNDS

<u>FUNDS</u>	<u>Beginning Cash Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash Balance</u>
Municipal Court Bonds	\$ -	\$ 1,228	\$ 800	\$ 428
Employee Flex Benefits	<u>5,010</u>	<u>55,285</u>	<u>55,148</u>	<u>5,147</u>
Total	<u>\$ 5,010</u>	<u>\$ 56,513</u>	<u>\$ 55,948</u>	<u>\$ 5,575</u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 4-1

RELATED MUNICIPAL ENTITY
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS

For the Year Ended December 31, 2015

PUBLIC BUILDING COMMISSION
AQUATIC CENTER BOND & INTEREST FUND

	<u>Actual</u>
RECEIPTS	
Lease Income	\$ 224,365
Interest Income	<u>380</u>
Total Receipts	<u>224,745</u>
EXPENDITURES	
Principal Payment	125,000
Interest Expense	<u>99,365</u>
Total Expenditures	<u>224,365</u>
Receipts Over (Under) Expenditures	380
UNENCUMBERED CASH, January 1, 2015	<u>75,617</u>
UNENCUMBERED CASH, December 31, 2015	<u><u>\$ 75,997</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 4-2

RELATED MUNICIPAL ENTITY
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2015

PUBLIC BUILDING COMMISSION
AQUATIC CENTER CAPITAL PROJECTS FUND

	<u>Actual</u>
RECEIPTS	
Construction Income	<u>\$ 10,000</u>
EXPENDITURES	<u>-</u>
Receipts Over (Under) Expenditures	10,000
UNENCUMBERED CASH, January 1, 2015	<u>128,555</u>
UNENCUMBERED CASH, December 31, 2015	<u><u>\$ 138,555</u></u>

CITY OF PHILLIPSBURG, KANSAS
ADDITIONAL SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 5

WATER AND SEWER UTILITY ALLOCATION
For the Year Ended December 31, 2015

SUMMARY FROM
WATER & SEWER UTILITY FUND

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECEIPTS	<u>\$ 1,076,008</u>	<u>\$ 270,671</u>	<u>\$ 1,346,679</u>
EXPENDITURES	<u>1,070,000</u>	<u>380,357</u>	<u>1,450,357</u>
Receipts Over (Under) Expenditures	6,008	(109,686)	(103,678)
UNENCUMBERED CASH, January 1, 2015	425,235	445,860	871,095
Prior Year Cancelled Encumbrances	<u>5,563</u>	<u>5,562</u>	<u>11,125</u>
UNENCUMBERED CASH, December 31, 2015	<u><u>\$ 436,806</u></u>	<u><u>\$ 341,736</u></u>	<u><u>\$ 778,542</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 6

EQUIPMENT RESERVE ALLOCATION

For the Year Ended December 31, 2015

	Office	Solid Waste	Water	Sewer	Aquatic Center	Undesignated	Total
Receipts	<u>\$ 3,000</u>	<u>\$ 10,844</u>	<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,408</u>	<u>\$ 301,252</u>
Expenditures	<u>1,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,186</u>
Receipts Over (Under) Expenditures	1,814	10,844	190,000	-	-	97,408	300,066
UNENCUMBERED CASH, January 1, 2015	<u>57,763</u>	<u>65,103</u>	<u>176,500</u>	<u>176,500</u>	<u>50,000</u>	<u>190,255</u>	<u>716,121</u>
UNENCUMBERED CASH, December 31, 2015	<u><u>\$ 59,577</u></u>	<u><u>\$ 75,947</u></u>	<u><u>\$ 366,500</u></u>	<u><u>\$ 176,500</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ 287,663</u></u>	<u><u>\$ 1,016,187</u></u>

CITY OF PHILLIPSBURG, KANSAS
SINGLE AUDIT SECTION
FOR THE YEAR ENDED DECEMBER 31, 2015



MAPES & MILLER LLP

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

July 18, 2016

Mayor and City Council
City of Phillipsburg, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the financial statement of the City of Phillipsburg, Kansas, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Phillipsburg, Kansas' basic financial statement and have issued our report thereon dated July 18, 2016. Our report on the financial statement disclosed that, as described in Note 1 to the financial statements, the City of Phillipsburg, Kansas prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Phillipsburg, Kansas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Phillipsburg, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Phillipsburg, Kansas' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Mayor and City Council
City of Phillipsburg, Kansas
July 18, 2016
Page Two

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2015-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Phillipsburg, Kansas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of the City of Phillipsburg, Kansas in a separate letter dated July 18, 2016.

The City of Phillipsburg, Kansas' Response to Findings

The City of Phillipsburg, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Phillipsburg, Kansas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Mapes & Miller LLP
Certified Public Accountants

July 18, 2016
Phillipsburg, Kansas



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

July 18, 2016

Mayor and City Council
City of Phillipsburg, Kansas

Report on Compliance for Each Major Federal Program

We have audited the City of Phillipsburg, Kansas' compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Phillipsburg, Kansas' major federal programs for the year ended December 31, 2015. The City of Phillipsburg, Kansas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Phillipsburg, Kansas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Phillipsburg, Kansas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Phillipsburg, Kansas' compliance.

Mayor and City Council
City of Phillipsburg, Kansas
July 18, 2016
Page Two

Opinion on Each Major Federal Program

In our opinion, the City of Phillipsburg, Kansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the City of Phillipsburg, Kansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Phillipsburg, Kansas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Phillipsburg, Kansas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Mapes & Miller LLP

Certified Public Accountants

July 18, 2016
Phillipsburg, Kansas

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 7

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Transportation Airport Improvement Program	20.106	3-20-0068-012-2014	\$ 1,742,516
Total U.S. Department of Transportation			1,742,516
Total Federal Awards			\$ 1,742,516

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Phillipsburg, Kansas under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Phillipsburg, Kansas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Phillipsburg, Kansas.

(2) Summary of Significant Accounting Policies

Expenditures reported on the accompanying Schedule are reported on the cash basis of accounting and, accordingly, represent the cash expended for the program. The schedule does not include transactions that might be included using the regulatory basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statement. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Phillipsburg, Kansas has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 8
Page 1 of 3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2015

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:

In accordance with Generally Accepted Accounting Principles

Adverse

In accordance with the statutory basis of accounting described in Note 1

Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?

 Yes x No

Significant deficiencies identified?

 x Yes None reported

Noncompliance material to financial statements noted?

 Yes x No

FEDERAL AWARDS

Internal control over major programs:

• Material weakness(es) identified?

 Yes x No

• Significant deficiencies identified?

 Yes x None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)?

 Yes x No

Identification of major programs:

CFDA NUMBER
20.106

NAME OF FEDERAL PROGRAM
Airport Improvement Program

Dollar threshold used to distinguish between type A and
type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 Yes x No

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 8
Page 2 of 3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

SECTION 2 – FINDINGS – FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL

2015-001 Segregation of duties

Condition: The limited staff size does not provide for adequate segregating of duties.

Criteria: Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Cause: Because the entity is small, management does not feel it is feasible to hire more staff.

Effect: Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Recommendations: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation. However, the size of the entity does not make it practical to have sufficient number of employees to achieve the optimum level of internal control.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF TRANSPORTATION

CFDA No. 20.106, Airport Improvement Program – No reportable findings or questioned costs for the year ended December 31, 2015.

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

CITY OF PHILLIPSBURG, KANSAS
UNAUDITED ADDITIONAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Exhibit 1

UNAUDITED ADDITIONAL INFORMATION
December 31, 2015

Phillipsburg is a municipal corporation incorporated in 1872 and a city of the second class organized and existing under and pursuant to the Constitution and Laws of the State of Kansas. The City has a Mayor/Council form of government consisting of a Mayor and a six-member City Council who are elected by ward to four-year terms of office. The Mayor and Council set policy covering municipal governmental and administrative services and operations.

THE CITY

The City of Phillipsburg, Kansas (the "City") is situated in the northwest region of the State of Kansas. The City is approximately 240 miles northwest of Wichita and 150 miles northwest of Salina. Phillipsburg is the County seat of Phillips County.

EDUCATIONAL FACILITIES

Phillipsburg is the site of the offices of Unified School District No. 325 which provides a comprehensive curriculum for approximately 605 students in pre-school through grade twelve.

Post-secondary education is provided to the area by Fort Hays State University, as well as the North Central Area Vocational and Technical School in Beloit. Colby Community College also provides post-secondary education through outreach programs.

ECONOMIC AND DEMOGRAPHIC INFORMATION

LOCATION (City of Phillipsburg)

Distance in miles from:	Chicago:	754	Denver:	338
	Los Angeles:	1,356	New York:	1,527
	Kansas City:	325	Dallas:	610
	Minneapolis:	647	St. Louis:	581

POPULATION	Current Estimated	2010	2000	1990	1980	1970
City of Phillipsburg:	2,556	2,581	2,668	2,828	3,229	3,241
Phillips County:	5,533	5,642	6,001	6,590	7,406	7,888

PUBLIC SAFETY

The City of Phillipsburg contracts with Phillips County for law enforcement.

The City of Phillipsburg provides fire protection through a volunteer fire department.

UNAUDITED

UTILITIES

Electric service is provided to the area by Prairie Land Electric, with the electric utility an interconnected utility.

Natural gas is provided to the area by Midwest Energy, Inc.

The City of Phillipsburg owns and operates municipal water and waste water utilities. The City also owns and operates the refuse collection service.

EMPLOYMENT HISTORY - Phillips County

	<u>Year</u>	<u>Average Unemployment Rate</u>	
	2015	3.1%	
	2014	3.5%	
	2013	4.2%	
	2012	4.2%	
	2011	4.9%	
	2010	5.1%	
	2009	6.2%	
	2008	4.0%	
	2007	3.0%	
	2006	3.3%	

	<u>Civilian Work force</u>	<u>Total Employed</u>	<u>Unemployed</u>
2015	2,986	2,892	94
2014	2,951	2,848	103
2013	3,048	2,920	128
2012	3,128	2,996	132
2011	3,185	3,029	156
2010	3,103	2,946	157
2009	3,166	2,969	197
2008	3,145	3,018	127
2007	3,182	3,088	94
2006	3,111	3,008	103

Kansas Department of Commerce, Labor Market Info. Service (785-296-5000)

www.dol.ks.gov

MAJOR EMPLOYERS - Phillipsburg Area

Some of the larger employers in the area include:

<u>Firm</u>	<u>Products/Service</u>
Tamko Asphalt Products	Roofing Products
Phillips County Hospital	Health Care
Unified School District #325	Education
Phillips Co. Retirement Center	Long Term Care Facility
First National Bank	Banking
Kyle Railroad	Transportation
Prairie Horizon Agri-Energy LLC	Ethanol & Distillers Grain
Coomes, Inc.	Transportation

UNAUDITED

CLIMATE

Average daily temperature:

January:	27 degrees
April:	54 degrees
July:	80 degrees
October:	57 degrees

Average annual precipitation: 25 inches

Average annual snowfall: 23 inches

BANK DEPOSITS - Phillipsburg - December 31

Year	Amount	Year	Amount
2006	208,589,637	2011	297,256,081
2007	224,886,062	2012	286,758,309
2008	233,130,344	2013	298,336,493
2009	229,561,739	2014	212,760,900
2010	245,076,602	2015	304,136,850

Source: Local banks - First National Bank, Farmers National Bank, & Farmers State Bank

GROSS RETAIL SALES - Phillips County

Year	Amount	Year	Amount
2006	173,762,580	2011	175,612,706
2007	155,847,499	2012	151,371,873
2008	131,936,647	2013	160,523,074
2009	125,906,065	2014	158,619,485
2010	122,903,973	2015	141,058,549

PHILLIPSBURG CITY SALES TAX COLLECTED BY STATE OF KANSAS

Year	Amount	Year	Amount
2006	392,703	2011	435,662
2007	398,182	2012	853,802
2008	395,726	2013	834,992
2009	391,732	2014	822,148
2010	386,466	2015	799,621

TAXABLE RETAIL SALES - Phillipsburg City

Year	Amount	Year	Amount
2006	39,270,300	2011	43,566,227
2007	36,748,660	2012	40,690,111
2008	37,891,849	2013	37,754,811
2009	34,479,349	2014	41,107,400
2010	36,656,731	2015	38,740,396

TAXABLE RETAIL SALES - Phillips County

Year	Amount	Year	Amount
2006	50,145,600	2011	60,623,600
2007	51,399,849	2012	59,716,108
2008	53,419,415	2013	55,559,592
2009	49,485,668	2014	63,141,600
2010	52,079,343	2015	59,971,708

Source: Kansas Department of Revenue, Amy Kramer (785-291-3580)

UNAUDITED

TRANSPORTATION

The Kyle Railroad Co. serves the area. Highways serving the area include Interstate 70 and Interstate 80, located 62 miles to the south and 65 miles to the north respectively, and Kansas Highway 36 and Kansas Highway 183.

Air transportation is provided to the area through the Phillipsburg Municipal Airport which has a 4,500 foot asphalt runway. The airport is lighted and has private aircraft storage available.

Parcel service is provided by Federal Express, Pony Express, United Parcel Service, and the United States Post Office.

COMMUNITY SERVICES

The City of Phillipsburg is serviced by three banks and one credit union. Medical facilities are readily available through the twenty-nine bed nonprofit Phillips County Hospital. There are two medical doctors, three certified physician assistants, two dentists and one optometrist providing medical services to the City as well as visiting specialists.

There are fourteen religious institutions located in Phillipsburg.

Located in or near the City are public parks, a golf course, tennis courts and swimming pools. Kirwin Federal Wildlife Refuge is only fifteen miles from the City and provides fishing, hunting, and wildlife watching.

Phillipsburg has three motels with a total of one hundred three rooms.

Phillipsburg has two weekly newspapers, the Phillips County Review and the Advocate of Phillips County. Area residents receive a high quality cable system and high speed internet access through a fiber network to the homes and businesses. KKAN-KQMA serves the area with AM/FM radio.

TAX STRUCTURE

The total sales tax rate (city, county, state) effective July 1, 2015 was 9.00%.

The property tax rate for various governmental entities is as follows:

PROPERTY TAX MILL LEVY (Per \$1,000 Assessed Valuation)

Levy Year	Budget Year	City of Phillipsburg	Phillips County	USD #325	Other	State	Total
2015	2016	58.606	91.386	43.718	1.792	1.500	197.002
2014	2015	55.979	92.796	42.854	1.501	1.500	194.630
2013	2014	54.045	102.190	49.445	1.452	1.500	208.632
2012	2013	51.151	115.701	48.769	1.340	1.500	218.461
2011	2012	50.820	114.814	48.823	1.453	1.500	217.410
2010	2011	49.857	100.712	48.194	1.513	1.500	201.776
2009	2010	49.618	89.437	48.518	1.655	1.500	190.728
2008	2009	49.176	81.842	49.334	1.352	1.500	183.204

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ASSESSED VALUATION HISTORY

Year	Assessed Valuation of Taxable Tangible Property	Tangible Valuation of Motor Vehicles	Equalized Assessed Valuation of Taxable Tangible Property
2015	\$ 10,196,292	\$ 2,626,446	\$ 12,822,738
2014	\$ 10,065,188	\$ 2,741,503	\$ 12,806,691
2013	\$ 10,047,051	\$ 2,738,728	\$ 12,785,779
2012	\$ 10,005,718	\$ 2,728,947	\$ 12,734,665
2011	\$ 10,045,331	\$ 2,690,621	\$ 12,735,952
2010	\$ 9,929,583	\$ 2,839,157	\$ 12,768,740
2009	\$ 9,905,875		
2008	\$ 10,110,232		
2007	\$ 9,894,743		

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CITY'S AUTHORITY TO INCUR DEBT

Equalized Assessed Valuation of Tangible Valuation For		
Computation of Bonded Debt Limitations	\$	12,822,738
Legal limitation of Bonded Debt	\$	3,846,821
Outstanding general obligation debt as of December 31, 2015	\$	1,795,000
Exempt Debt	\$	1,635,000
Net Debt against Statutory Debt limit capacity	\$	160,000
Additional debt capacity	\$	3,686,821
Direct debt per capita	\$	702
Overlapping Indebtedness	\$	-
Direct and overlapping debt	\$	1,795,000
Direct and overlapping debt per capita	\$	702
Direct debt as a percentage of Equalized Assessed Valuation		14.00%
Direct and overlapping debt as a percentage of Equalized Assessed Valuation		14.00%
Statutory direct debt as a percentage of Equalized Assessed Valuation		14.00%

UNAUDITED

OVERLAPPING INDEBTEDNESS

The following table sets forth overlapping indebtedness as of December 31, 2015, and the percent attributable (on the basis of assessed valuation) to the City.

<u>Taxing Jurisdiction</u>	<u>2015 Assessed Valuation</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to the City</u>	<u>Amount Applicable to the City</u>
Phillips County	\$ 55,115,075	\$ -	18.50%	\$ -
U.S.D. #325	\$ 29,064,935	\$ -	35.08%	\$ -

Outstanding General Obligation Debt
(As of December 31, 2015)

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>	<u>Amount Included In Debt Limitation</u>
2011 G.O. Bonds	2011	\$ 245,000	\$ 160,000	\$ 160,000
2015 G.O. Bonds	2015	\$ 1,635,000	\$ 1,635,000	\$ -

Temporary Notes Outstanding
(As of December 31, 2015)

None are outstanding as of December 31, 2015.

Revenue Bonds Outstanding
(As of December 31, 2015)

None are outstanding as of December 31, 2015.

Outstanding Public Building Commission Revenue Bonds
(As of December 31, 2015)

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
PBC Revenue Bonds	2011	\$ 3,070,000	\$ 2,605,000

Loans Outstanding
(As of December 31, 2015)

None are outstanding as of December 31, 2015.

Capital Lease Obligations
(As of December 31, 2015)

None are outstanding as of December 31, 2015.

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